

# TOWN OF DAVIE

## TOWN COUNCIL AGENDA REPORT

**TO:** Mayor and Councilmembers

**FROM/PHONE:** Herb Hyman/797-1016

**SUBJECT:** Resolution

**AFFECTED DISTRICT:** n/a

**TITLE OF AGENDA ITEM:** A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, AUTHORIZING THE MAYOR TO EXECUTE A CONTRACT WITH PUBLIC FINANCIAL MANAGEMENT, INC. FOR FINANCIAL ADVISORY SERVICES.

**REPORT IN BRIEF:** The Town Council selected Public Financial Management, Inc. to provide financial advisory services and authorized staff to negotiate an agreement by Resolution R-2002-137. The initial task for the financial advisor will be assisting the Town with the refinancing of water and sewer bonds which will result in a savings of several million dollars. The initial contract is a two (2) year agreement with options to extend the contract for three (3) additional one (1) year terms by mutual agreement of the parties. Contract extensions, if appropriate, will be handled administratively by staff subject to budgetary approval by Town Council.

**PREVIOUS ACTIONS:** Resolution R-2002-137 authorized staff to negotiate a contract.

**CONCURRENCES:** This contract was negotiated by the Procurement Manager, the Interim Budget & Finance Director, and the Assistant Town Administrator. The contract was reviewed by the Town Attorney.

**FISCAL IMPACT:**

Has request been budgeted?      yes

If yes, expected cost: as detailed in Exhibit "B" of the contract

Account Name: Utilities Department-Contractual Services Account

Additional Comments: Not applicable

**RECOMMENDATION(S):** Motion to approve the resolution.

**Attachment(s):**

Two (2) copies of agreement

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, AUTHORIZING THE MAYOR TO EXECUTE A CONTRACT WITH PUBLIC FINANCIAL MANAGEMENT, INC. FOR FINANCIAL ADVISORY SERVICES..

WHEREAS, the Town Council previously selected the firm of Public Financial Management, Inc. to provide financial advisory services by Resolution R-2002-137; and

WHEREAS, it is in the Town's best interest to execute a contract for these services; and

WHEREAS, after review, the Town Council wishes to authorize the Mayor to execute a contract with Public Financial Management, Inc.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA:

SECTION 1. The Town Council authorizes the Mayor to execute a contract with Public Financial Management, Inc. to provide financial advisory services which is attached hereto and identified as Attachment "A".

SECTION 2. This resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2002

\_\_\_\_\_  
MAYOR/COUNCILMEMBER

Attest:

\_\_\_\_\_  
TOWN CLERK

APPROVED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2002

**AGREEMENT FOR SERVICES OF FINANCIAL ADVISOR  
BETWEEN THE TOWN OF DAVIE AND  
PUBLIC FINANCIAL MANAGEMENT, INC.**

**THIS AGREEMENT**, made and entered into this 10<sup>th</sup> day of July 2002, by and between the **TOWN OF DAVIE**, a municipal corporation in Broward County, Florida under the laws of the State of Florida, (hereinafter referred to as the "TOWN") and **PUBLIC FINANCIAL MANAGEMENT, Inc.**, (hereinafter call the "FINANCIAL ADVISOR").

**WITNESSETH**

**WHEREAS**, the TOWN desires to obtain the services of a FINANCIAL ADVISOR to develop and implement strategies to meet the TOWN'S current and long-term operational and capital financing needs and render assistance in the preparation and marketing of bond issues by the TOWN; and

**WHEREAS**, the FINANCIAL ADVISOR represents it is capable of providing the necessary financial consulting service.

**NOW THEREFORE**, in consideration of the premises and of the mutual covenants and agreements set forth herein, the TOWN and FINANCIAL ADVISOR agree as follows:

**I. SCOPE OF SERVICES**

The TOWN hereby engages FINANCIAL ADVISOR to provide advice and recommendations to the TOWN concerning refunding and other bond issues of the TOWN, the proposed structuring and/or restructuring of certain escrow accounts established for the benefit of certain refunded bonds, to assist the TOWN in surety policy substitutions for various cash-funded Reserve Accounts, and to provide other financial advisory services, as generally set forth in Exhibit A, Scope of Services. After authorization by the TOWN to proceed, the FINANCIAL ADVISOR shall perform any requested services set forth in this paragraph or Exhibit A.

## **II. COMPENSATION AND TERMS OF PAYMENT.**

For all services related to the issuance of debt, including synthetic debt such as swaps, the FINANCIAL ADVISOR shall be paid a per bond transaction fee, based upon the par amount of bonds or principal amount of swap, as set forth in EXHIBIT B. For services related to the structuring or restructuring of refunding escrows, including the competitive bidding of escrow investments, and services related to execution of a debt service reserve surety, including the bidding of reserve investments, FINANCIAL ADVISOR shall be paid as Other Services as outlined in the FINANCIAL ADVISOR's proposal. For financial planning and other non-transactional services requested by the TOWN, the FINANCIAL ADVISOR shall be paid based upon the hourly rates as set forth in EXHIBIT B.

Payment for debt management (i.e., transaction related) services including bonds, swaps, escrows, and reserve sureties shall be due and owing to the FINANCIAL ADVISOR upon closing of the transaction. If the transaction is not consummated for any reason, no fee shall be paid to the FINANCIAL ADVISOR. Payment for financial planning and other non-transactional services requested by the TOWN shall be invoiced by the FINANCIAL ADVISOR on a monthly basis.

In addition to the foregoing fees, the TOWN shall reimburse the FINANCIAL ADVISOR for out-of-pocket expenses such as travel, lodging, meals long distance telephone, postage, copying and other related expenses which are reasonably and necessarily incurred by the FINANCIAL ADVISOR in its performance of services hereunder. Expenses shall be reimbursed in keeping with the limitations set forth in the TOWN Policy, i.e., Section 112.061, Florida Statutes. Said reimbursable expenses shall be payable from the proceeds of the bonds or, in the event that the bonds are not issued, then payable from other legally available funds of the TOWN. The amount payable for said reimbursable expenses shall not exceed the sum of Five Thousand Dollars (\$5,000.00) per bond issue or assigned project.

## **III. TERM OF AGREEMENT**

The term of this Agreement shall be for two (2) years measured from the date first written above, with an option for three one-year renewals. The Agreement shall automatically renew unless either party gives written notice of intent to terminate the Agreement. Deadlines for written notice are referenced in section IV (B).

## **IV. TERMINATION OF THE AGREEMENT**

A. This Agreement may be unilaterally canceled by the TOWN for:

- (i.) refusal by the FINANCIAL ADVISOR to allow public access to all documents, papers, letters or other material ( whether made or received by the FINANCIAL ADVISOR in conjunction with this Agreement) which are subject to the Public Records Act, Chapter 119, Florida Statutes, or

(ii.) for violation of The State Ethics Statute or the Ethics Policy of the TOWN

**B. Termination by Either Party**

This Agreement may be terminated by either party for any reason by giving written notice to the other party no later than thirty (30) days before the termination date.

**C. Effect of Termination**

If this Agreement is terminated for any reason finished or unfinished documents, data, studies, correspondence, reports and other products prepared by or for the FINANCIAL ADVISOR pursuant to this Agreement shall be made available to and for the exclusive use of the TOWN. Notwithstanding the above, the FINANCIAL ADVISOR shall not be relieved of liability to the TOWN for damages sustained by the TOWN by virtue of any breach of this Agreement by the FINANCIAL ADVISOR.

**V. INFORMATION TO BE FURNISHED TO THE FINANCIAL ADVISOR**

All information, data, reports, and records in the possession of the TOWN necessary for carrying out the work to be performed under this Agreement shall be furnished to the FINANCIAL ADVISOR without charge by the TOWN, and the TOWN shall cooperate with the FINANCIAL ADVISOR in every way possible.

**VI. WARRANTIES OF FINANCIAL ADVISOR**

The FINANCIAL ADVISOR represents and warrants that no officer, employee or agent of the TOWN has any personal interest, either directly or indirectly, in the FINANCIAL ADVISOR. The FINANCIAL ADVISOR further represents and warrants to the TOWN that it has not employed or retained any person, company, corporation, individual or firm (other than a bona fide employee working solely for the FINANCIAL ADVISOR) for any fee, commission, percentage, gift, or any other consideration contingent upon or resulting from the making of this Agreement: and it has not agreed, as an express or implied condition for obtaining this Agreement, to employ or retain the services of any person, company, corporation, individual or firm in connection with carrying out this Agreement.

**VI. CONFLICT OF INTEREST**

The FINANCIAL CONSULTANT is an active participant in the financial advisory business in the State of Florida and as a result, may during the term of this contract work for other local governments in Broward County. Since the financing goals of one local government may on occasion be in conflict with another local government, PFM is obligated to disclose to the TOWN any relationships with other cities or towns in Broward County. In addition, the FINANCIAL CONSULTANT will notify the TOWN prior to commencing any work on a project for the City of Sunrise. If the TOWN determines, at its sole discretion, that such work

will constitute a conflict of interest, the TOWN can decline the FINANCIAL CONSULTANT's request to perform the task for the City of Sunrise.

#### **VIII. MEMBER PROTECTION; WAIVER**

No member, officer, employee or agent of the TOWN shall be personally liable for any claim of the FINANCIAL ADVISOR arising out of this Agreement or the services rendered pursuant thereto. Any and all personal liability of every nature of any TOWN member, officer, employee or agent by reason of: (i) any act or omission (on his or her part or otherwise) for any claim arising out of this Agreement (or the services rendered pursuant to it), or (ii) for the payment of any sum that may remain due and unpaid by the TOWN, is hereby expressly waived and released as a condition of and as consideration for the execution of this Agreement.

#### **VIII. INDEMNIFICATION**

Except where caused by its (or their) gross negligence or intentional misconduct, the TOWN and its members, officers, agents and employees shall be defended indemnified and held harmless by the FINANCIAL ADVISOR from any and all claims, demands, debts, cost, liabilities or causes of action of every kind or character (whether in law or in equity) by reason of any death, injury or damage to any person or persons, or with respect to damage to or destruction of property of the FINANCIAL ADVISOR (its agents or employees, or of any third persons) and from any cause whatsoever arising out of the FINANCIAL ADVISOR's negligent acts or omissions or intentional misconduct. The FINANCIAL ADVISOR hereby covenants and agrees to defend, indemnify and save harmless the TOWN, its members, officers, agents and employees, from any and all such claims, demands, debts, liabilities and causes of action, including attorney's fees and costs through any and all appeals.

#### **IX. INSURANCE**

A. The FINANCIAL ADVISOR will maintain in force, during the full term(s) of this Agreement, insurance in the following amounts and coverage: a certificate of insurance evidencing the required coverage shall be furnished to the TOWN upon execution of the Agreement and each anniversary date thereafter for the length of the Agreement.

1. Professional Liability Insurance with limits of not less than One Million Dollars (\$1,000,000) each occurrence.

2. The FINANCIAL ADVISOR shall provide and maintain Workers' Compensation insurance in the full amount required by statute and in full compliance with the applicable laws of the State of Florida and the United States. The policy must include Employers' Liability with a minimum limit of One Hundred Thousand Dollars (\$100,000.00) for each accident, five hundred thousand dollars (\$500,000.00) disease (policy limit), and one hundred thousand dollars (\$100,000.00) disease (each employee). The FINANCIAL ADVISOR shall further insure that all of its subcontractors maintain appropriate levels of Workers' Compensation insurance.

3. The FINANCIAL ADVISOR shall have minimum limits of One Million Dollars (\$1,000,000.00) Per Occurrence Combined Single Limit for Bodily Injury Liability and

Property Damage Liability. This shall include Premises and/or Operations, Independent Contractors and Products and/or Completed Operations, Broad Form Property Damage, Personal Injury and a Contractual Liability Endorsement, specifically insuring the hold harmless clause of the contract. This policy of insurance shall be considered primary to and not contributing with any insurance maintained by the Town of Davie and shall name the Town of Davie as an additional insured. The policy of insurance shall be written in an "occurrence" based format.

4. The FINANCIAL ADVISOR shall have minimum limits of One Million Dollars (\$1,000,000.00) per occurrence Combined Single Limit for bodily injury and property damage. Policy shall include coverage for owned vehicles, hired vehicles, and employee non-owned vehicles.

5. PROFESSIONAL LIABILITY: The FINANCIAL ADVISOR shall provide insurance with minimum limits of One Million Dollars (\$1,000,000.00). The FINANCIAL ADVISOR shall be responsible for maintaining this professional liability insurance for a minimum of five years from the date of execution of this Contract. In addition, the FINANCIAL ADVISOR shall notify the Town of Davie of any claims made against this insurance policy during the five years following execution of this Contract. The Town of Davie is to be named as an additional insured on both the general liability and auto liability policies.

#### **X. MISCELLANEOUS PROVISIONS**

- A. The rights granted to the FINANCIAL ADVISOR hereunder are non-exclusive, and the TOWN reserves the right to enter into agreements with other persons or firms to perform services, including those provided hereunder.
- B. The FINANCIAL ADVISOR and its employees shall promptly observe and comply with applicable provisions of all published federal, state and local laws, rules and regulations which govern or apply to the services rendered by the FINANCIAL ADVISOR hereunder, or to the wages paid by the FINANCIAL ADVISOR to its employees.
- C. The FINANCIAL ADVISOR shall procure and keep in force during the term of this Agreement all necessary licenses, registrations, certificates, permits and other authorizations as are required by law in order for the FINANCIAL ADVISOR to render the services required hereunder.
- D. Except as expressly provided for in this Agreement the FINANCIAL ADVISOR is not authorized to act as the TOWN's agent hereunder and shall not have the TOWN's (expressed or implied) permission to act for or bind the TOWN hereunder, either in the FINANCIAL ADVISOR'S relations with sub-consultants or in any other manner whatsoever.

- E. What Law Governs. This Agreement shall be deemed to have been made in and construed in accordance with, the Laws of the State of Florida.
- F. Venue. The parties hereto agree to venue in Broward County, Florida.
- G. Severability. All clauses herein shall remain fully severable with respect to the intent and scope of this agreement. Where clauses are deemed illegal, those shall be removed without affecting the balance of the Agreement.
- H. Assignability. It is specifically agreed that the Consultant herewith binds himself, his partners, successors and legal representatives to the TOWN as respects to the covenants of the Agreement. It is further agreed that the Consultant shall not assign, sublet, or transfer his interest in this Agreement without the written consent of the TOWN.
- I. EEO - Equal Employment Opportunity Employer. The TOWN is an Equal Employment Opportunity (EEO) employer and as such encourages all consultants to voluntarily comply with EEO regulations with regards to gender, age, race, veteran status, country of origin, and creed. In addition, the Consultant or anyone under his employ shall comply with all applicable rules, regulations and promulgation's thereby pertaining to the avoidance of appearance of sexual harassment or on the job discrimination. The Consultant shall maintain a working environment free of discrimination or unwelcome actions of a personal nature. Any sub-contracts the Consultant may enter into shall make reference to this clause with the same degree of application being encouraged. When applicable, the Consultant shall comply with all new State and Federal EEO Regulation.
- J. Attachments. All attachments and exhibits hereto are incorporated hereby as a material and relevant part of this agreement.
- K. The headings of the sections of this Agreement are for the purpose of convenience only and shall not be deemed to expand or limit the provisions contained in such sections.
- L. This Agreement constitutes the entire agreement between the parties and shall supersede and replace all other prior agreements or understandings (written or oral) relating to the matters set forth herein.
- M. FINANCIAL ADVISOR shall maintain all records and working papers concerning this Agreement and work performed hereunder, even if this Agreement is terminated before completion. Such records will be available to the TOWN for inspection for a period of four (4) years following the completion of the project, or for a longer period of time if so required by law. All reports produced by FINANCIAL ADVISOR under the terms of this Agreement shall at all times be the exclusive property of the TOWN.
- N. FINANCIAL ADVISOR is and shall remain during the performance of all work under this Agreement an independent contractor, and not an agent or representative of the TOWN.

All persons engaged in any work or services performed pursuant to this Agreement shall at all times and in all places be subject to FINANCIAL ADVISOR'S sole discretion, supervision and control. As an independent contractor, FINANCIAL ADVISOR shall exercise control over the means and manner in which it and its employees perform the work, are paid, use vehicles, tools and are insured. FINANCIAL ADVISOR will be fully responsible for all Social Security payments, withholding taxes, workers' compensation insurance, liability insurance, and malpractice insurance.

- O. FINANCIAL ADVISOR represents it presently has no interest and shall not acquire any interest (direct or indirect) which would conflict in any manner with the performance or services required to be performed under this Agreement. FINANCIAL ADVISOR further represents that in the performance of work provided by this Agreement, no persons having any such interest shall be employed.

IN WITNESS WHEREOF; the parties have hereunto set their hands and seals and executed this Agreement on the day and year first above mentioned.

**TOWN OF DAVIE**

**Attest:**

By: \_\_\_\_\_  
Russell Muniz, Town Clerk

By: \_\_\_\_\_  
Name: Harry Venis  
Date: \_\_\_\_\_  
Title: \_\_\_\_\_

**PUBLIC FINANCIAL  
MANAGEMENT, INC.**

By:   
Name: David Moore  
Date: 6/27/02  
Title: Senior Managing Consultant

## EXHIBIT A SCOPE OF SERVICES

### FINANCIAL PLANNING

1. *Development of Capital Plan and Financial Policies.* PFM views capital planning as an essential component of the Town's overall debt issuance and financing program. Having an idea of future financing needs and future revenue projections will enable the Town to structure current debt offerings to ensure cost-effective financings in the future. Establishing policies regarding the capital plan provides formal written procedures for measuring and making financial decisions. In addition, rating agencies look favorably on debt issues that are part of a well-conceived, long-term plan as opposed to financings that are carried out in a fragmented, disorganized manner; establishing long-term policies and plans demonstrates sophisticated financial management. Ultimately, implementing financing and debt policies will enable the Town to carry out capital expansion or debt restructuring plans more efficiently while preserving market access for future debt.

PFM is driven not by financial transactions, but by financial planning. We believe our performance can be successful only if our clients have developed a long-term capital plan which includes financial policies and the identification of alternative revenues. After assisting the Town to develop a capital plan which is customized to meet its needs, PFM will ensure that each successive financing is executed in a manner consistent with the policies set forth in the long-term plan.

2. *Review Existing Debt Structure.* As your financial advisor, PFM will analyze the financial resources available to the Town by considering the types of revenues available, their stability over time, and their forecasts for growth. The results will be compared to the existing debt structure to determine how much debt can be issued while still maintaining sufficient cash flow coverage to preserve the Town's present credit rating. Finally, a review of the legal structure will provide the basis for the consideration of financing alternatives that are currently available.

3. *Review Capital Budget.* In order to determine the optimal method of issuing debt, some estimate of the amount of capital needed to finance the planned projects included in the Town's capital plan is required. PFM will review the Town's capital budget to determine the amount and source of funds the Town is willing and able to commit to funding its infrastructure needs. The goal of this review is to determine the optimal match of the sources of capital funding with the infrastructure funding needs.

4. *Analyze Future Debt Capacity.* In order to assess the Town's ability to raise debt capital in the future, a computerized financial model is formulated to assess the ability of alternative financing strategies to economically provide the required level of funding over time. The first step is the identification of the key assumptions that will be common to all strategies. The second step is to structure each alternative and evaluate its feasibility.

Once the model is constructed, existing debt structures will be incorporated to test the impact of each alternative financing strategy on the overall financial statements and financing plan. As a result, the current financing program can be evaluated by itself and in concert with future financings or refundings depending on the financing policies established from the outset (e.g., minimize debt service, maintain level debt service, lengthen or shorten maturities, etc.).

Finally, the financial model will have the flexibility to project the capital program using both "constant" and "current" dollar scenarios. This will prevent the Town from embarking on a financing plan that, while feasible using constant dollars, becomes suspect or infeasible when the impact of inflation is recognized.

5. *Identify Financing Alternatives.* As an independent, non-underwriting financial advisory firm, PFM offers its clients advice uninfluenced by the conflicts of interest which may affect other firms, such as municipal bond underwriters. This independence from the underwriting business is important because it allows PFM to

develop objective capital financing plans for our clients which incorporate a full range of financing alternatives; as your advisors, we are not blindly committed to the notion that a municipal financing must result in the issuance of municipal bonds. We will develop an optimization model to address various financing alternatives, including the following:

- Pay-As-You-Go Financing
- Notes
- Taxable Notes and Bonds
- Lease-Appropriation Obligations/Certificates of Participation (COP's)
- Variable Rate Demand Notes/Bonds (VRDBs)
- Tax-Exempt Commercial Paper
- Capital Appreciation or Zero Coupon Bonds
- Bond Banks and Pooled Programs
- Derivative Financing Products

## DEBT MANAGEMENT SERVICES

1. *Develop and Monitor Financing Schedule.* To facilitate the timely completion of all tasks, PFM will prepare a bond sale calendar that clearly identifies the responsibilities of each participant in the transaction. The schedule will be designed to permit sufficient time for review of all disclosure materials by Town officials prior to final printing and distribution.

PFM will utilize its extensive experience to prepare a schedule that allows for the orderly completion of each component of the transaction. Moreover, we will work closely with all external participants (*e.g.*, bond counsel, rating analysts, etc.) to ensure that their tasks are coordinated with the activities of the Town's staff.

Finally, we will keep the proper officials informed about the progress of the financing and, if necessary, remind team members of deadlines.

2. *Analyze Debt Structure Alternatives.* The determination of an efficient issue structure will be a function of three elements: (i) is the proposed amortization schedule well coordinated with the Town's existing debt obligations and projected revenues? (ii) are the resources pledged to debt redemption sufficient to meet total debt service requirements plus operating and maintenance expenses, renewal and replacement reserves, etc., (iii) is the proposed maturity schedule designed to attract maximum interest from underwriters and potential investors in the current market?

Working with other members of the financing team and the Town's staff, PFM will use the information it has gathered from the policy review and development phase of the engagement to facilitate the formulation of the issue structure and the terms under which the bonds are to be offered in order to answer the aforementioned questions in the best possible manner, given the current market. PFM's experience with the structuring and sale of over \$98 billion of debt has given us an appreciation for this task and an awareness of how to design terms and conditions of sale that are compatible with underwriter and investor interests under varying market conditions while consistent with the Town's fiscal policy objectives. Some of the key issues to be addressed are:

- Maturity Schedule and Pattern of Debt Service
- Security Structure
- Call Features
- Credit Enhancement
- Book Entry vs. Certificates
- Reserve Requirements
- Premium or Discount Restrictions

3. *Recommend a Negotiated or Competitive Sale.* One of the most important decisions in the bond sale process will be choosing between a competitive or a negotiated sale. This decision will be essential in

determining what financial services will be needed for any financing and will be instrumental in determining the ultimate cost of any financing to the Town . In making the choice between the two approaches, the Town should specifically consider the costs of the sale process, the type of security being sold, the marketability of the security and market volatility at the time of the sale.

PFM, as an independent financial advisory firm, places considerable corporate emphasis on the professional and skillful conduct of competitive issues. The public finance departments of investment banks generate the vast majority of their revenues from negotiated bond issues and therefore have a natural bias, both in attitude and experience, to negotiated issues. PFM works on numerous competitive issues each year and, in fact, prides itself on successfully bringing non-general obligation as well as general obligation issuers to the competitive markets.

The following describes the general attributes that argue for a competitive versus a negotiated sale. The decision is made depending primarily upon the attributes of the issue and market conditions at the time of sale.

<b><u>Attributes that argue for a competitive sale</u></b>	<b><u>Attributes that argue for a negotiated sale</u></b>
<b>The Issue</b>	<b>The Issue</b>
Well known issuer	New issuer
Rating of A or higher	Rating lower than A
Conventional issue structure	Innovative debt structure
Standard security provisions	Unusual security pledge
Good credit quality	Concern about credit quality
Few or no tax law concerns	Potential tax law concerns
Tax-exempt issue	Taxable issue
Credit enhanced	
<b>The Market</b>	<b>The Market</b>
Strong market with high demand	Weak market with low demand or high supply
Stable, predictable market	Volatile market with rapid changes

At the outset of the engagement, we will evaluate existing and expected credit market conditions, features of the credit, and the financing time schedule associated with the proposed bond sale. These and other factors will be used to develop a recommended method of sale.

PFM's competitive sale experience is one of the most extensive in the industry. Once the Town has adopted a financing plan, and a competitive sale has been identified as the optimal method, the financing team will be responsible for drafting, printing, adopting, and distributing all legal and disclosure documents. PFM will coordinate with local officials, bond counsel, underwriters, banks, and other team members in the preparation, review, and finalization of all bond document preparation activities, including the preparation and review of trust indentures, if any, official statements, and other contracts that may be necessary for a bond issue.

In general, our approach to negotiated transactions is to work with you to decide the broad parameters of the transaction, help select the bankers, to present and to analyze specific structuring ideas, to establish pricing benchmarks, and oversee the pricing process. For a negotiated financing, PFM will assist the Town in determining the appropriate level of pricing for its debt obligations. In order to assist the Town, PFM will conduct historical pricing analyses and analyses of the market to determine the appropriate pricing goals of the Town. PFM also does a significant amount of analysis comparing one issue against another, attempting to establish clear pricing benchmarks or targets.

4. Assist Issuer in Selecting Working Group Members and Procuring Services.

a. Underwriter Selection. When it is determined that a negotiated sale is appropriate, PFM will work with Town officials to develop a detailed request for underwriting proposals. This approach to the selection of its underwriting group gives the Town an opportunity to control all components of the underwriting spread and identify those firms which are most experienced with marketing securities of the type being offered. In addition, through our experience in bringing over \$82 billion in debt to market for our clients, PFM professionals have worked with a wide variety of underwriting firms and investment bankers and will use this experience to the Town's benefit. Once the underwriting group has been chosen, PFM will negotiate on the Town's behalf to ensure that the issue is aggressively priced relative to current market conditions.

b. Procurement of Financial Services. PFM will assist the Town, as needed, in identifying and procuring special financial related services that may be needed over the course of its financing program. Some of these services are generic to any financing alternative while others may or may not be required depending on the financing vehicle chosen. Services needed for many financings include:

- Special Tax Counsel
- Trustee Selection
- Paying Agent Selection
- Special Credit Facilities (includes such items as letters of credit or bond insurance)
- Printing Services

5. Work with Members of Working Group to Develop Financing Terms. Once the working group has been selected, PFM assumes the role of coordinator and catalyst. PFM, in conjunction with the Town's staff, will analyze each component of the structure and make recommendations. Each member of the financing team will have a different perspective on each point, and it is important that each team member be given an opportunity to express their views and incorporate them into the final structure. The objective of this process is to create a package of terms that creates broad-based interest in the debt among investors while ensuring the lowest possible cost and future flexibility.

After assisting the Town in developing its financing priorities, it will be PFM's job to represent the Town's point of view to the other team members during all discussions about the structure of the financing.

6. Develop Financing Documents. Once a financial plan has been adopted, the financing team will be responsible for drafting, printing, adopting, and distributing all legal and disclosure documents. PFM's project team members have experience assisting municipal issuers across the nation to prepare the necessary ordinances, legal documents and other disclosure documents for the issuance of taxable and tax-exempt securities. On complex projects, this phase of the project can be extremely time-consuming. PFM will coordinate with local officials, bond counsel, underwriters, banks, and other team members in the preparation, review, and finalization of all bond document preparation activities, including the preparation and review of trust indentures, official statements, loan agreements, reimbursement contracts, trust participation agreements, purchase contracts, remarketing agreements, and other contracts that may be necessary for bond issues and other debt instruments considered by the Town. Other documents, such as engineering studies, traffic and revenue projections, and arbitrage certificates, are the responsibility of other parties, but their preparation will be incorporated into the document preparation work coordinated by PFM prior to the sale of securities.

7. Coordinate the Marketing of the Bonds. PFM would actively undertake all necessary procedures to effectively market and sell the Town's debt issues. The following discussion details the steps involved in PFM's coordination of the sale and marketing of bonds.

a. Timing of Sale. In recent years, volatile market conditions have forced municipal issuers to carefully time their tax-exempt borrowings. Factors such as wildly fluctuating interest rates, unprecedented

upheaval in the international economic community, and regular federal tax reform proposals have combined to create a very unstable tax-exempt market environment. To assist its clients with the timing of proposed issues, PFM closely monitors all such developments and evaluates the potential impact of each on new-issue, tax-exempt securities.

*b. Target Buyers.* PFM maintains extensive mailing lists, targeted by region and debt structure, of not only potential underwriters but also major investors to whom all disclosure materials should be distributed. Utilizing these lists, PFM can ensure that all interested parties are provided with all the information they need to make an informed investment decision concerning the issuer's proposed offering. Furthermore, PFM encourages interest in the issuer's new issues through our direct contact with many major underwriting desks. The advantages of this activity are two-fold. First, PFM is able to inquire about the possible impact of different financing features including early call provisions or the resizing after award of the bonds. Second, by canvassing potential investors and underwriters, PFM is able to give added market exposure to any of the issuer's new bond issues.

*c. Marketing Information.*

(1) *Disclosure Documents.* For the Town's offering, PFM will work closely with the administrative staff to ensure that the Town's primary information disclosure document, the Preliminary Official Statement (the "POS"), is in full compliance with industry standards and the guidelines developed by the GFOA and MSRB. To the extent needed, our advisory team will review the Town's existing POS format and recommend any changes that may enhance the presentation of relevant information. With minor modification following the sale, the POS becomes the final OS—the public document of record for the financing and the Town's only official contact to most of your investors.

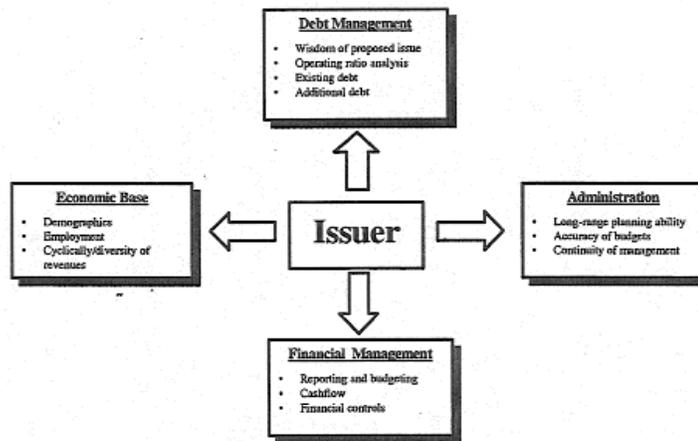
(2) *Information Meetings.* PFM will closely monitor the number and composition of all underwriting syndicates that are organized for the Town's bonds. We will interact directly with these groups and respond promptly to any questions that may arise concerning the issue. When it is deemed appropriate, PFM will organize and participate in investor information meetings to describe in greater detail all elements of the transaction. These could be held both nationally (usually in New York) and regionally to include all Florida firms that may have an interest in the Town's bonds.

(3) *Marketing Calls.* In those cases where we are working directly with the Town on a competitive sale, PFM will follow up the mailing of the POS the week before the sale with individual calls to all the major national and regional firms that we feel should be interested in the financing to answer any specific questions they might have and to encourage them to submit bids to the Town. We have found that this process has been very successful in increasing the number and competitiveness of the bids an issuer would receive.

(4) *Bid Forms.* In its preparation of the official bid form, PFM will work with the Town's bond counsel to ensure that all statutory requirements are satisfied. In addition to these legal constraints, PFM will evaluate the impact of various bidding provisions on the resulting debt service schedule. Our efforts would be designed to allow bidders maximum flexibility as long as the interests of the Town are protected.

8. Rating Agency Presentations. PFM has developed considerable experience working with the major national rating agencies. As a result of our experience advising more than one hundred clients each year to issue tax-exempt securities for a wide range of purposes, PFM has developed a clear understanding of the analytical methods utilized by Moody's Investors Service, Standard & Poor's Inc. and Fitch Investor Service, Inc. Our professional staff is trained to conduct in-depth credit analyses comparable to the rating agencies' own analyses so that both credit strengths and weaknesses can be identified by the Town prior to the presentation of materials to rating analysts.

PFM believes each issuer should pursue an indication from the rating agencies of what underlying credit ratings any proposed bond issue would receive. An underlying credit rating of A or better would enhance the marketability of the bonds, thus reducing interest costs associated with the issue. By asking for a rating indicator, the Town could receive feedback from the rating agencies of strengths and weaknesses in the Town's economic base, debt management, administration, and fiscal management.



Part of PFM's scope of services includes working closely with the rating agencies to fully understand their concerns and methodology. If a rating agency presentation is warranted, PFM will design the Town's presentation to specifically address each agency's questions in a meaningful way. We maintain close personal contact with staff members at the rating agencies regarding their views of debt covenants for toll revenue bonds, innovative financing techniques and unusual debt structures.

9. Assist with the Pricing of the Bonds. PFM has built its entire reputation upon our financial advisory and consulting practice in the area of municipal finance. PFM's record of participation in the field of municipal finance is unrivaled by any other independent financial advisor and compares favorably to the performance of major national investment banking houses. For each of the past three years, PFM has advised governments on more than one hundred fifty financings per year, thereby assuring our clients that PFM is as active in the municipal debt market as any Wall Street firm. This record of involvement on as frequent a basis as investment banks has kept us in touch with the municipal market and gives us the needed perspective to assist our clients to market and price their debt issues in a knowledgeable manner.

In addition to our frequent involvement in the market representing our clients, PFM has committed a significant portion of its research effort into studying the municipal markets and the factors that affect the manner in which an individual security is priced in that market. As a result of that effort, PFM has developed a quantitative model that uses a daily tax-exempt pricing matrix developed by the Delphis Hanover Corporation for a group of the nation's largest tax-exempt fund managers to price their portfolios on a daily basis, to quantify the aggressiveness of any individual new issue pricing relative to the rest of the market. This model complements

PFM's already extensive anecdotal knowledge of the markets and gives us the unique ability to provide our clients with quantifiable and objective data to support our pricing recommendations. Finally, no other municipal financial advisor has committed itself to the investment advisory business in the way that PFM has. Since our Investment Advisory Group has three "traders" who execute trades for client's accounts averaging \$150 million per day, we are in total and daily contact with the U. S. government bond market, the market that heavily influences the pricing of municipal securities.

After the pricing is completed, PFM will provide the Town with a financial advisor's memorandum so that the Town can evaluate the fairness of the pricing of its bonds. Contained in the memorandum is a list of yields on recently priced comparable issues, a list of underwriter's fees on recently priced comparable issues, municipal market conditions leading up to and on the day of the sale, a description of the call provisions, ratings, credit enhancements and special features of the issue and a general background of the issue. This document serves not only as a measure of the fairness of the sales terms but as a comprehensive reference to which the Town may refer in the future.

10. *Assist with Closing the Bond Issue.* PFM will work with all parties involved with the closing to prepare a schedule of tasks to be completed prior to closing and identify the party responsible for completing the task. These tasks include printing and preparing bond certificates (if printed bonds are used), completing the final official statement, preparing closing documents, arranging for the transfer of funds and investment of funds.

In preparation for closing, PFM will work with the Town's bond counsel and other members of the financing team to prepare and review all required documentation. This will include our direct dealings with the official statement printer and bond printer, as well as coordination of bond registration with the underwriter and registrar. Our advisory team will arrange for either registration of the bonds with the Depository Trust Company or delivery of the bonds and the simultaneous transfer of "same day" funds into the accounts identified by the Town. PFM will assist in the purchase of U.S. Treasury securities for the construction account. Other closing arrangements will also be completed so that officials of the Town can be confident that each transaction will be completely and professionally brought to a close.

PFM is also prepared to offer the Town its full range of investment management and arbitrage rebate compliance services. If needed, these services will be performed by PFM's Investment Advisory Group located in PFM's Harrisburg office.

**EXHIBIT B  
FEE SCHEDULE**

**Fee on a Per Bond Transaction Basis:**

Fees for professional financial advisory services for transactions leading to the sales of bonds, notes or certificates would be calculated on the basis of an amount per \$1,000 face amount issued. Minimum fee is \$17,500. For bank loans and/or private placements the fee for financial advisory services will be negotiated based on the complexity of the project and the time involved in performing the financial advisory services.

<b>Bond Par Amount</b>	<b>Fee Per \$1,000 Par</b>
\$0 to \$15,000,000	\$0.90
plus \$15,000,001 to \$50,000,000	0.65
plus > \$50,000,000	0.45

**Hourly Rates for other Financial Advisory Services:**

<b>TITLE</b>	<b>RATE</b>
Managing Directors, Senior Managing Consultants	\$195.00
Consultants	\$180.00
Administrative	\$ 95.00